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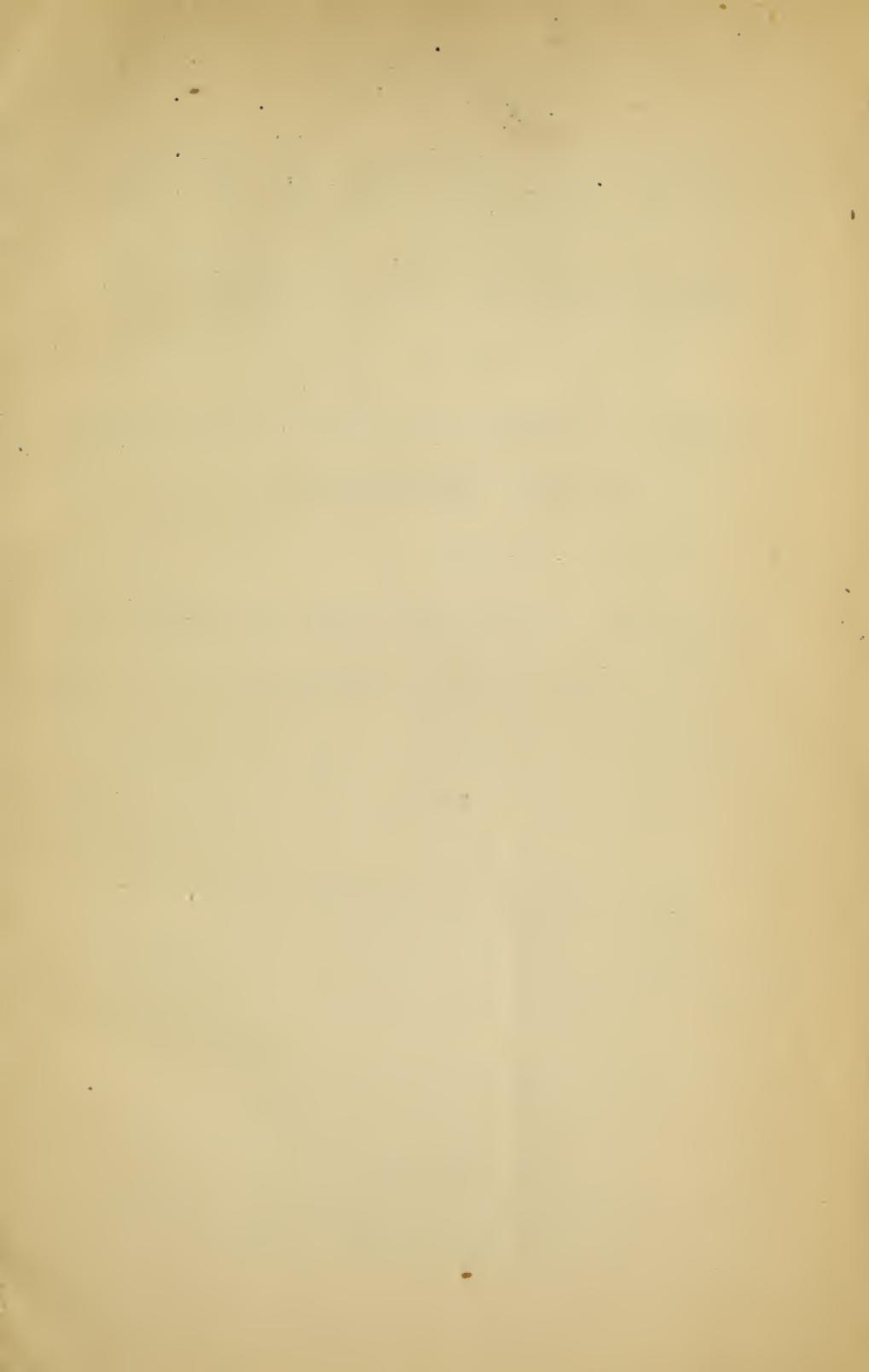
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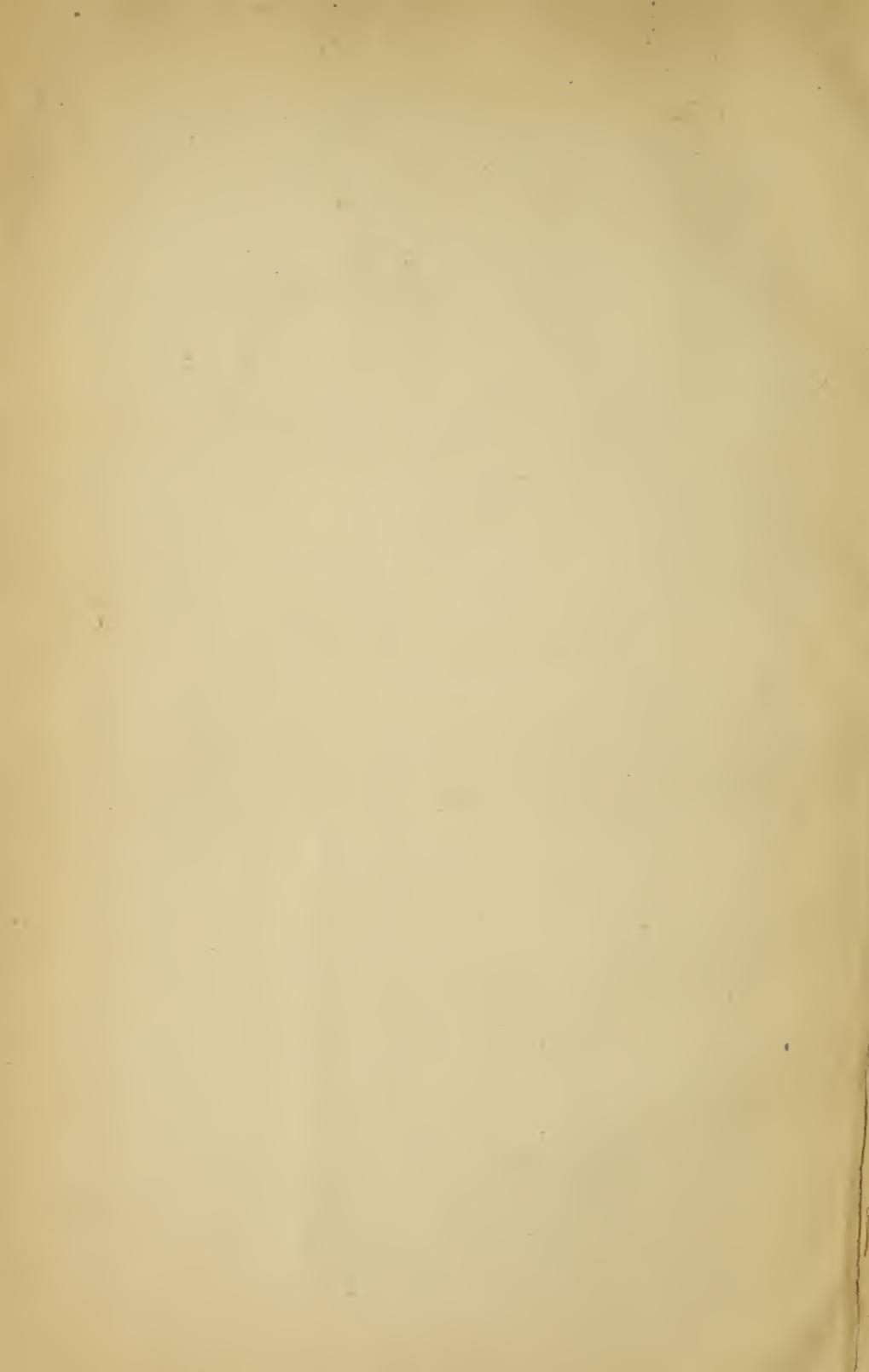
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INSOLVENT  
SICK & BURIAL CLUBS:  
THE CAUSES AND THE CURE;  
OR,  
HOW TO CHOOSE OR FOUND A RELIABLE  
FRIENDLY SOCIETY

WITH A

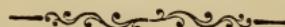
Large Illustrative Diagram,

SUITABLE FOR SUSPENSION IN CLUB-ROOMS,

SHOWING, AT A GLANCE, THE AVERAGE ANNUAL SICKNESS, AND THE  
EXPECTATION OF LIFE AT VARIOUS AGES.

BY CHARLES HARDWICK,

Past Grand Master of the Manchester Unity of Oddfellows Friendly Society ;  
Author of "A Manual for Patrons and Members of Friendly Societies;" "History of  
Preston and its Environs;" Editor of the "Oddfellows' Quarterly Magazine;"  
Lecturer on Friendly Societies, &c.



Manchester:

JOHN HEYWOOD, 143, DEANSGATE;  
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TO  
VINCENT ROBERT BURGESS,  
OF LONDON,

GRAND MASTER OF THE INDEPENDENT ORDER OF ODDFELLOWS  
MANCHESTER UNITY FRIENDLY SOCIETY,

ONE OF MY EARLIEST CO-LABOURERS IN THE CAUSE OF  
FINANCIAL IMPROVEMENT,

THIS PAMPHLET IS RESPECTFULLY INSCRIBED,

*As a Humble Tribute to his Private Worth and Public Usefulness,*

BY HIS SINCERE FRIEND,

CHARLES HARDWICK.



## P R E F A C E.

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I have been in the habit for some time past, when lecturing on Friendly Societies, in various parts of the kingdom, of explaining the laws of sickness and mortality by reference to a diagram which exhibits the results of the past experience of the Manchester Unity Friendly Society at a single glance. I have found no difficulty, with its assistance, in clearly demonstrating, even to the relatively uneducated artizan, the nature and the imperative character of these laws. It has, on various occasions, been suggested to me that the publication of this diagram on a sufficiently large scale to render it available for exhibition in club rooms, &c., would materially aid in the dissemination of sound knowledge on this most important subject. Believing, however, that the diagram, alone, would not be of much advantage without some accompanying explanation, I have prepared the following pages with the view of placing before provident working men, in a concise and cheap form, the chief practical lessons which the facts represented by the diagram inculcate.

CHARLES HARDWICK.

*Manchester, August, 1863.*





## INSOLVENT

# SICK AND BURIAL CLUBS.

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THE Englishman of the nineteenth century is proverbially self-reliant. He has wholesome faith in hard work ; and, if satisfied with the rate of remuneration, will seldom shirk it. The industrious British operative has a hearty, instinctive love of liberty ; and what is more, on the whole, he well understands the difference between liberty and license. He has likewise a healthy repugnance to pauperism, and a firm conviction that all true independance must be self-supporting. He is, in addition, a thoroughly social being, and believes it to be a sensible and a manly act to lend a helping hand to a sorrowing brother labourer, wounded in the battle-field of every-day life. If he entertains a somewhat mysterious dread of "centralization," he is fully alive to the power of "co-operation," or the value of combined effort. Hence, the numerous organizations which have sprung up around us, chiefly during the present century, in the shape of building societies, co-operative and trade associations, sick and burial clubs, &c., and which have for their object ordinary commercial profit, or the honourable maintenance of the individual members under special misfortune.

It has recently been regarded, in certain circles, as "the right thing" to decry and even denounce the action of humbly-educated operatives in this direction, simply because many of their efforts have proved abortive. This, to say the least of it, is mistaken policy, and especially so when directed against friendly or benefit societies—the self-directed mutual insurance companies of providently disposed working-men. The object of these societies deserves most honourable recognition by men of the highest social status or most advanced intellectual culture. Their action is calculated to largely influence the gradual elevation and improvement of the moral and social position of the great bulk of the labouring portion of the community. Indeed, this is not now often disputed. The great complaint against them is, that the financial laws in force amongst them are generally framed not in accordance with, but rather in open defiance of, the plainest teachings of statistical science. In too many cases this is unfortunately but too true. Still, as there are many hundreds of societies, the management or direction of any one of which is as distinct from, and independent of, that of all the rest, as is any single merchant's establishment from the control of the many other commercial firms spread over the civilized world, it is neither politic nor just to include the whole in one general condemnation; and especially so when we reflect that the errors of the most unfortunate have resulted not so much from want of desire to attain to scientific accuracy, but simply because, until very recently, no such thing as scientific accuracy was to be found, even amongst professional actuaries themselves. Indeed the very bungling experiments, so loudly and so unwisely condemned, form the sole basis of our present improved scientific knowledge on the subject. To the working-

men themselves is due the high distinction of having gratuitously furnished the raw material which science has resolved into general rules, by which the future prosperity or otherwise of a Friendly Society can be predicted with all the certainty attendant upon the most reliable of the known laws of social economy.

A large portion of my life has been devoted to the study and dissemination of the principles which the results of past experience have demonstrated should guide the members of Friendly Societies in the construction of their financial laws. I early entertained a conviction that a kindly recognition of the nobility of the effort, however imperfect, to provide for future contingencies by prudent forethought, combined with a sincere desire to popularize the somewhat dry and abstruse details of vital statistical science, would be productive of more lasting benefit, than mere depreciatory invective, truthful or otherwise. Upwards of twenty years' practical experience has confirmed this impression. I, therefore, in the same friendly spirit, and with the same earnest sympathy which has influenced all my previous labours in this direction, once more respectfully invite the attention of members of Friendly Societies, to this, to them, most vital question.

#### BANKRUPT FRIENDLY SOCIETIES.

It is a trite saying that a man, or even a community of men, may become so accustomed to the action of any particular evil, social, political, or moral, that it ceases, to a large extent, to

exhibit its normal qualities to either the mental or physical vision. All know the influence of habit in determining the amount of soap and water, and the frequency of its application to the human skin, necessary to ensure conventional personal cleanliness. Men, women, and children pass their lives, with at least some show of contentment, in localities where filthy squalor is an abomination to the sight, and the reeking odour from which, in Trinculo's phraseology, excites "indignation in the nostrils" of those who think that Cleanliness ranks next to Godliness in the scale of Christian virtues. Year by year medical men report that the condition of such and such localities furnishes the malaria that poisons the deadly typhoid arrow, and renders it the most destructive of Disease's many fatal weapons; yet it is nevertheless true that those who suffer to the greatest extent, and in the most direct manner, from the terrible scourge, often appear practically to ignore the fact, that they are yearly sacrificing hecatombs of their relatives and friends at the shrine of the demon Dirt and his satellites, insufficient Drainage and imperfect Ventilation. Such is the force of habit, that, in some instances, not only does the action of the intellect become partially paralyzed, but the nostril loses its cunning. Time after time has the burning lava leaped from the furnace bosom of Vesuvius, and entombed in its fiery embrace, fertile pastures, thriving villages, and populous cities. Yet, after a little while, brave but imprudent men erect new homesteads and temples, plant new vineyards and pleasure gardens, on the stiffened crust of the lava cement that sepulchres the remains of a past age, happy in the hope that the slumbers of the subterranean fire will not again be disturbed in their day and generation. Truly, with a large portion of mankind, the

Apostolic axiom, "Sufficient for the day is the evil thereof," is accepted in its literal rather than its extended signification.

Many well-meaning provident men have latterly become so accustomed to the wail of lugubrious prophesy respecting the future of a large number of Friendly Societies, that they have ceased to regard the vaticination as anything more than one of the many weapons fashioned by slanderous malice, and covertly aimed, by pretended friends or open enemies, at the very existence of their cherished institutions. This feeling of indifference is increased by the circumstance that the collapse of a Friendly Society is not exactly an every-day affair, in any given locality, although the seeds of destruction may be as certainly germinating in their life blood as the fire is smouldering in the entrails of the slumbering volcano. When such an event does occur, it is more than probable that the true cause or causes of the special collapse is but partially, if at all, understood by those most interested. I was told recently by some of the members of a Friendly Society, situated in one of the densest centres of our manufacturing industry, that they found a difficulty in prevailing upon eligible individuals amongst their comrades or fellow-workmen to join their Club, because *other Societies in the neighbourhood PROMISED similar benefits for a less annual subscription.* I recommended the propriety of their impressing upon the minds of applicants of this class, that there really existed a large amount of truth in the adage which asserted that *promises and pie crusts were equally liable to fracture;* and that the promises of too many Friendly Societies had proved no exception to the rule. To my surprise, I found that my friends, who were members of a Society using improved graduated rates of in-payment, fancied they had been defeated on this

very point, because, when asked, they were unable to point out an instance, within their own knowledge, where a Club, paying the lower rates and promising high benefits, had failed to fulfil its engagements ! And yet if the true history of all the Societies in existence twenty years ago, within the distance of three miles from the house in which the conversation took place, had been available for reference, not only one but many instances of insolvency and ultimate dissolution might easily have been adduced. But such a record has not been preserved. If it had, we should, doubtless, find, in but a very few cases, that anything like the real cause of failure had been recognised, or at least, thoroughly understood, by those most interested.

It is necessary that all members of these Societies should never lose sight of the fact that very many of them have, *after several years' apparent prosperity*, collapsed for want of funds, and that many and often the heaviest subscribers have been left unprovided for in their old age. This is a state of things which is not only undesirable in a national sense, but it is one which I am convinced, from long experience, the most indifferent member would not willingly contemplate, in his own case, without making some effort to avert the evil. But thousands imagine that, as their Club has *hitherto* met all its engagements, there can be no reasonable ground to doubt that it will continue so to do ; and, with many, the entire stock of positive knowledge on the subject is limited to their individual experience in the Society to which they belong.

I will do no more here than slightly allude to the evidence tendered before a committee of the House of Commons, in 1849, because I prefer citing more recent authority. However, one gentleman then testified to the fact that as many as *sixty out of*

one hundred and twenty aged paupers in the Birmingham workhouse had been members of Clubs that had broken up for want of funds ; and one professional actuary stated that he had valued the assets and liabilities of something like four thousand Societies, and NOT ONE was in a perfectly sound financial condition. In the report of the Registrar of Friendly Societies, published in 1860, I find the following significant sentence : " Notices of dissolution have been received from fifty-two societies during the year ending 31st December 1859, of which number forty-eight were in England and Wales, the causes of dissolution generally arising from the claims made on the funds by pensioners, the number of members being small, and no increase of young members." In the report published in 1861, the Registrar shows that in the following year eighty-four of these institutions had ceased to exist, and their dissolutions had been duly advertised in the *London Gazette*, pursuant to 23 and 24 Vic. c. 58, s. 3. In the last report, published in 1862, sixty-five societies are announced as having closed during the previous year. These defunct societies have perished from no local financial disease. Indeed they appear scattered pretty equally over the entire kingdom. During the last year there perished in Berkshire three, in Buckinghamshire one, in Cheshire one, in Cumberland one, in Derbyshire three, in Devonshire two, in Hampshire three, in Hertfordshire one, in Huntingdonshire two, in Kent three, in Lancashire five, in Lincolnshire one, in Middlesex ten, in Monmouthshire two, in Norfolk three, in Northamptonshire one, in Nottinghamshire one, in Oxfordshire one, in Shropshire one, in Somersetshire two, in Staffordshire three, in Surrey two, in Sussex one, in Worcestershire two, in Yorkshire one, in Anglesea one, in Brecknockshire three, Carmarthenshire two,

Glamorganshire one, Montgomeryshire one, and Pembrokeshire one.

The simple fact, that during these three years *two hundred and one* enrolled friendly societies have been dissolved in England and Wales, is in itself sufficient to seriously arrest the attention of every well-wisher to the progress of provident habits amongst our industrial population. I am well aware that a large number of friendly societies are, at present, suffering from chronic financial ailment, to such an extent, that to them, recovery is hopeless. It must not be forgotten that Mr. Pratt's return includes only *enrolled* friendly societies, *dissolved according to law*, and advertised in the London Gazette. Amongst the mass of unenrolled clubs, doubtless, the seeds of destruction are even more thickly strewn. The best course these insolvent bodies can take is to terminate their own existence as soon as possible, and thus lessen, and more equally distribute, the pecuniary loss amongst the whole of the members. Suicide, in their corporate capacity, under the circumstances, will violate no law, either religious, political, or moral. It is infinitely better that a tradesman should compound with his creditors at once, if he be hopelessly insolvent, than that he should continue, year after year, to add to his liabilities, without at least a corresponding increase in the amount of his assets. The case of an insolvent friendly society is precisely similar. Some well-meaning philanthropists, with more zeal than discretion, or even practical knowledge, sometimes gladly seize upon a text of this kind, and soundly rate the working classes, as a whole, for presumed incapacity and even dishonesty. Such has never been my practice, nor is it my present intention. For a long time to come, in the very nature of things, we shall have to contemplate a

certain annual per-cent-age of mortality amongst friendly as amongst other societies. We shall rapidly be approaching the era of the millennium, when the London Gazette ceases, for lack of matter, to publish its periodical list of bankrupt tradesmen. The reports of the Registrar General must, of necessity, ever show a certain number of deaths per thousand, per annum, notwithstanding the progress of sanatory knowledge and its practical application. But if we cannot arrive at a state of Utopian beatitude in any given direction, we may, at least, direct our energies in such a way as materially to lessen the amount of evil, suffering, and sorrow, to which our frail terrestrial humanity is every day exposed. It is an unmanly as well as an illogical resolve, which prefers lethargic indifference or impotent denunciation to active exertion, merely because the march of progress in any given path is necessarily toilsome and slow.

The excessive annual insolvency amongst Friendly Societies can unquestionably be materially lessened, if those most interested in their healthy existence, manfully resolve to set about the achievement in a thoroughly practical spirit. No amount of good intention *alone* will, however, serve the purpose. The prayers and good wishes of kind friends are valuable things in their way, but they will not safely amputate a limb or stop the progress of disease. The practised skill of the surgeon or physician is still imperative to success. So it is with Friendly Societies' financial maladies. If we wish to get at the roots of their disorders, we must retain the services of men skilled in financial anatomy and the ramifications of vital statistical science, and subject some of the carcases of the defunct to a kind

of *post mortem* examination. When the causes of decline and death have been fully and satisfactorily ascertained, the application of the proper remedies to the non-healthy constitutions of most existing societies will present but few difficulties which earnest purpose cannot easily overcome.

### IMPERATIVE FINANCIAL LAWS.

It is not my intention here to enter into a history of the progressive contributions to the knowledge which we now term "Vital Statistical Science." Those who wish to pursue this branch of the subject further, may consult my "Manual for Patrons and Members of Friendly Societies," where it is treated at length. It will be sufficient for me here to remind all parties that, owing to the want of practical experience, the earlier actuaries themselves were but blind guides, and that they, unintentionally, of course, misled the members by certifying too low a rate as the probable average sickness in the later periods of life. Through errors of this class, many Societies have become bankrupt; and it is lamentable to find that so many Clubs yet construct their financial laws on old hypotheses and imperfect data, whose worthlessness has long since been fully demonstrated. The labours, especially of Mr. Ansell, Mr. Neison, Mr. Finlaison, (the Government Actuary,) and Mr. Henry Ratcliffe, (on behalf of the Manchester Unity of Oddfellows,) have since resolved the financial security of a Friendly Society into a question of scientific inference. In my illustrations of the operations of the laws which regulate Friendly Society finance, I shall make use of the tables recently issued by Mr. Ratcliffe, simply because they are the most recent and therefore the most

reliable. So far as my reasoning is concerned, however, the tables either of Mr. Ansell, Mr. Neison, or Mr. Finlaison, would have answered equally well, and have been productive of similar results.

It must, in the first instance, be borne in mind, that the tables of the actuaries are not matters of OPINION, but matters of FACT. That is, they merely represent, in a tabular form, the results of facts submitted to them, and which facts have been gathered together from the past experience of some of the societies themselves. The quinquennial returns (1856-60) from the various lodges in the Manchester Unity of Oddfellows, were placed in the hands of Mr. Henry Ratcliffe, (the gentleman who had previously been entrusted with the returns collected from similar sources in 1846-8,) and he has recently submitted to the members and the public the result of his analysis in tabular forms adapted for practical use. The quantity of data was most ample, and Mr. Ratcliffe wisely eliminated all schedules which bore indication of error or imperfection. Still his new tables of sickness and mortality exhibit averages deduced from the experience of upwards of one million years of life; or, in round numbers, from the five years' experience of nearly a quarter of a million of men. These tables, therefore, express not merely opinions entertained by him, but facts as disclosed by the past action of the laws of sickness and mortality upon the members themselves.

This average liability deduced from past experience is the only true basis of all insurance, which implies that individual irregularity sinks into a law of average when the observations

are extended over a sufficient number of instances. Therefore the first and most important class of facts necessary to the founding of a friendly society on a secure financial basis, is that which presents the average liability of the members to sickness and mortality. These results are exhibited on the accompanying diagram. It will there be seen that the value of life, or its expectation, gradually diminishes between the age of twenty and seventy from rather over forty-one years to about nine; and that the average sickness at age twenty is less than one week, while at age seventy it is nearly ten weeks. So a healthy man's life at twenty is worth about forty-one years' purchase, while his sickness liability, for the year, is less than one week. But at seventy his life is not worth more than nine years' purchase, while his sickness liability for the year has increased to nearly ten weeks. It will be seen, although not exactly in the same ratio, that as life *decreases* in value, the average sickness *increases*; hence the necessity of an increased rate of contribution in proportion to age on entrance, if similar benefits are to be received. The neglect of this great law, or its imperfect recognition has been the cause of the destruction of many friendly societies.

#### GRADUATED RATES OF CONTRIBUTION.

I will endeavour to explain this law by reference to the diagram, which I have found after much experience to leave a far more distinct impression on the minds of persons unaccustomed to arithmetical calculations, than columns of figures, however lucidly arranged. A man, named John, calls at an insurance office, or a friendly society's office, and wishes to insure

his life, for, say £10, £20, or £100. The amount is merely an affair of the multiplication table, the principle is the same whether the sum be £10 or £10,000. The prime information necessary to the agent, after the state of the health of the applicant is satisfactorily ascertained, is his age. Well, John is in his twentieth year, and he wishes to ensure to his family the sum of £100 at his death. It will be perceived by the diagram that the average expectation of life amongst healthy men, at age twenty, is rather more than forty-one years, therefore, the agent calculates, (or, what amounts to the same thing, the actuary has done it previously for him), what sum of money per year quarter, or month, with interest, will in forty-one years realise £100 and allow a fair rate of business profit. I find from the tables of one insurance company, that John would be required to pay a quarterly premium of nine shillings and tenpence. Thomas, hearing of John's provident act, feels disposed to follow the praiseworthy example, and accordingly calls at the office, and enquires if he can, by the payment of nine shillings and tenpence per quarter, insure to his representatives the sum of £100. at his death. He is asked his age, and he replies that he has entered on his thirtieth year. The clerk, referring to the table prepared by the actuary, says, "we shall require the sum of twelve shillings and fivepence per quarter from you, because we find, from past experience, that men who join us at age thirty, only live, on the average, about thirty-four years. If nine shillings and tenpence per quarter, extending over forty-one years, will only, with interest, enable us to give £100. to the contractor, it cannot be expected that we can insure the same amount for a similar subscription, extending over only thirty-four years ; as in the latter case we should calculate on receiving

twenty-eight quarterly payments, together with interest, less than in the former. So if you want £100 at death insuring, commencing at age thirty, the quarterly premium will be twelve shillings and fivepence." For a similar reason he would demand a quarterly premium of £1. 3s. 3d. to insure £100. to a party who applied at age fifty. At this age it will be seen by the diagram that the average duration or expectation of life is only about twenty-one years.

I have often heard it said, that fellow workmen object to invidious distinction being made in the rate of contribution, and that they would much rather all pay alike, and receive alike. But it is clear, in the cases mentioned, that if, *in the end*, they are to pay all alike, those who enter at the advanced age must pay a larger quarterly subscription or this desired equality will not be achieved.

Another complaint often raised is that working-men can only afford to put by a certain sum for this purpose, whatever age they may have attained. Very well; a regular insurance company can, in this case, accommodate them on equitable principles. Suppose John and Thomas cannot afford to pay more for a life assurance than four shillings per quarter. As John commences at age twenty, the chances are that he will pay his premium for forty-one years, therefore the office will ensure to his representatives the sum of £46. 10s. But as the chances are that Thomas, commencing at age thirty, will only pay his subscriptions for a period of thirty-four years, the same office cannot, in equity, promise more than £36. 16s. in his case. For a similar subscription

commencing at age fifty, the sum of £19. 12s. would alone be guaranteed.

In the ordinary Burial Clubs, many of which collect subscriptions from thousands of members, the financial laws are often of a very inequitable character. I knew one in Lancashire, numbering about 30,000 members, and it is a fair specimen of its class. It charges all members, from fifteen to forty-five, a monthly contribution of fourpence for the insurance of five pounds ten shillings at death ; while a regular insurance company would for the same sum give ten pounds to a person who joined at twenty. The company, moreover, would equitably demand sevenpence per month for an insurance of £10. from a party entering at forty-five, and cheerfully accept threepence per month from a person entering at age fifteen ! And yet, the Club I refer to does not possess a reserve fund of one shilling per member ! The cause of this is obvious. In fact its tables utterly ignore the effect of age on the value of life. For a payment of twopence per month infant lives are assured for the sum of £2. 15s. And yet, according to Mr. Neison's experience and that of the Registrar-General, it appears that among children under five years of age, between six and seven per cent. annually die ; between five and ten years the rate becomes rather less than one in a hundred ; between ten and fifteen the mortality is but a trifle more than one in two hundred. The per centage of deaths afterwards gradually increases with age, but it does not reach the rate of infant mortality till the seventieth year is attained. The reason why the Club referred to has not saved much money, is because the infant life assurance subscription is so much below the true value, that the claims on its account

consume even more than the extra unjust tax placed on those who join when above five or six years of age. The necessity of adopting a graduated rate of payment according to age on entrance, is here strikingly apparent. Not only financial security but simple business honesty imperatively demand it.

The necessity for this graduated rate of in-payment according to age on entrance into a Society is even still more imperative when a fixed sum per week is insured during incapacity to labour owing to sickness or accident. A reference to the diagram will show at a glance that the annual average sickness per member is less than one week till near age forty ; at fifty it is nearly two weeks ; at sixty it is four weeks ; and at seventy nearly ten weeks per member per annum. After this period incapacity to labour has become more or less chronic, owing to advanced age, and consequently all insurance against sickness should cease, and an annuity or superannuation allowance be substituted, which would be paid to all the survivors without further subscription, and with permission to engage in any labour they might be capable of performing.

Let us suppose that John and Thomas each apply to a Sick Club and state that they want to ensure the sum of ten shillings per week during sickness, and that both wish to pay a pound a year for the privilege. What would be the financial result of such a transaction ? It will be seen by the diagram that John, commencing at age twenty, will continue for thirty years to pay annually twenty shillings, a sum equal to two weeks' sick pay, although he will never during the time subject the society to risk for half that amount. On the contrary, his subscription gives a profit to the society, gradually diminishing from about twelve shillings

to one shilling per year. He still continues, however, from this age to pay in only his pound yearly, while his sickness liability rapidly increases. At sixty, it has grown to two pounds a year, and at seventy to five pounds. If continued to eighty it would nearly reach ten pounds per annum. Now the cash saved, during the thirty years between age twenty and fifty, together with its interest, is the very money required to meet this increased sickness after age fifty, and an actuary, using past experience as his data, calculates the amount of annual contributions, so that this early saving shall be exactly sufficient to meet the extra demand in after life. But, in the case of Thomas, who enters at age thirty, a fresh calculation is necessary, because ten of the years have passed away during which John's saved capital has accumulated to about £6, exclusive of interest. So, if Thomas wishes to start equitably in the insurance, and can only pay one pound per year as his subscription, he ought to pay in, as entrance money, a sum equal to this very six pounds and its interest, otherwise the club will either be a loser to that extent, or John has been charged more contributions than were necessary to meet his probable claims. But suppose this large entrance fee cannot well be spared, there is still a remedy equitable and convenient. Let him pay, say (for the sake of illustration\*) the sum of thirty-five shillings per year, or equal to the amount of two and a-half weeks' sick pay. He will then, till about his fifty-fifth year, be paying more than his average risk, and consequently a certain sum will accumulate during twenty-five years, which, with

\* I use these figures purely as arbitrary illustrations, with a view to avoid confusion, and to make simply the *principle* clear to the enquiring operative. The precise values will be given afterward s.

interest, will be available to meet his increased liability after that period. On the other hand, if Thomas is permitted, as is too often the case, to enter on the same terms as John, the former, arriving at the age fifty, ten years earlier, commences receiving more than he has paid in, while John's subscriptions are still a source of saving to the club. The money thus saved being gradually spent in liquidating the heavier claims of the older members, who had made no such early provision, is consequently not available in after life for the support of *the very men* who subscribed it !

Young men of intelligence, of course now refuse to join clubs in this insolvent condition ; and, consequently, as Thomas has obtained money he was never equitably entitled to, the funds are exhausted, the society is broken up, and the truly provident John, if he has no other resource, must apply to the parish for aid in the decline of his life.

I have given but two instances ; but they are types of all others. Instead of one man named John, imagine a hundred who entered at age twenty, and instead of one named Thomas, imagine one hundred who entered at age thirty, imagine another hundred who entered at twenty-five when the evil is less and another hundred at forty when it is much greater, and the reader will have a fair idea of the destructive action on friendly society finance of laws which ignore, either wholly or in part, the principle of a graduated rate of in-payment according to age on entrance.

The following figures, extracted from Mr. H. Ratcliffe's re-

cently published experience of the Manchester Unity of Odd-fellows Friendly Society, show the exact payments required to meet the rates of sickness and mortality exhibited by the upper and darker line on the diagram.

To insure ten pounds at death, the equitable annual premium on entering at age twenty, is 2s. 6 $\frac{3}{4}$ d.; at twenty-five, 3s. 1 $\frac{1}{4}$ d.; at thirty, 3s. 7d.; at thirty-five, 4s. 3 $\frac{1}{2}$ d.; at forty, 5s. 1 $\frac{3}{4}$ d.; at forty-five, 6s. 3d.; and at fifty, 7s. 8d.

To insure ten shillings per week during sickness through life, the equitable annual premium on entering at age twenty is 16s. 6 $\frac{1}{2}$ d.; at twenty-five, 19s. 7 $\frac{1}{2}$ d.; at thirty, 23s. 6 $\frac{1}{4}$ d.; at thirty-five, 28s. 8d.; at forty, 35s. 2 $\frac{3}{4}$ d.; at forty-five, 43s. 10d.; and at fifty, 55s. 7d.

To secure an annuity of £1 per annum after the age of seventy, the equitable annual premium commencing at age twenty, is 4 $\frac{1}{2}$ d.; at twenty-five, 6 $\frac{1}{2}$ d.; at thirty, 9d.; at thirty-five, 11 $\frac{3}{4}$ d.; at forty, 1s. 4 $\frac{1}{2}$ d.; at forty-five, 1s. 10 $\frac{1}{2}$ d.; and at fifty, 2s. 8d.

Mr. Ratcliffe has, in these calculations, allowed for the influence of lapsed policies, or members running out of benefit owing to non-payment or other causes; consequently these figures may be relied upon as a test of the equity and reliability of any society contracting for similar insurances. Lower rates than these are not safe. It is unnecessary here to quote other tables calculated for special insurances, or special extra conditions, as

in principle, they are all the same, and they are of easy reference.

These facts should ever be borne in mind by every one interested in the well-being of any friendly society. Societies that promise benefits on otherwise than equitable terms should especially be avoided by young members. It ought never to be forgotten that the only security for the payment of any promised future benefit is the accumulated fund of the society itself, and that diminished subscriptions simply result in diminished means of eventually meeting legitimate claims.

So little is the principle of the graduated rate of in-payment according to age on entrance understood in some quarters, that thousands are yearly tempted to join clubs where it is almost if not entirely ignored. A small handbill was given to me in Manchester not long ago, in which the claims of a branch of the Independent United Order of Mechanics were submitted to the notice of the provident operative. The admission fee was six shillings for all persons from eighteen to thirty-five years of age, and the monthly contributions EQUAL IN AMOUNT TO ALL ! ! If the men at thirty-five paid sufficient, the men at eighteen must have paid too much; but the more probable inference is the elder pay much too little, and that the money which ought to accumulate to meet the young men's after claims, is being consumed by the earlier demands of the elder.

I have seen several advertisements recently of an Order of Druids, in which for an annual contribution of one shilling per fortnight, heavy sick, funeral, and other benefits are promised.

A graduated initiation fee, with the view I suppose of counteracting the influence of age on entrance, is adopted, instead of a graduated rate of contribution ; but it is miserably insufficient. A young man entering between eighteen and twenty pays three and sixpence, and the rate gradually increases to the magnificent sum of one pound to be paid by a party joining at age forty ! Just sixteen and sixpence to compensate for the loss of the saving during twenty-two of the years of life when the rate of sickness is lowest and the value of life highest. If the rate be just for the man joining at eighteen or twenty, the paltry sum of sixteen and sixpence is not equal to the extra contribution which the man entering at forty ought to pay *every year of his life* for the single promised benefit of ten shillings per week during sickness. It will be seen from the table I have just quoted, that, to ensure this benefit, an annual premium of 16s. 6½d. is required from parties joining at age twenty ; but a man joining at age forty ought in equity to pay £1 15s. 2¼d., or eighteen and eight pence *per annum* extra, to secure the same weekly rate of sick allowance. The man who enters at *thirty* years of age, even, ought to pay 23s. 6¼d. per annum, or about seven shillings per year more than the man who entered at twenty for this single benefit alone. It is an excellent speculation, certainly, for men between thirty and forty years of age to join a society of this class, but it is palpably at the cost of the younger men, who, when they are wise enough, will, of course, decline to enter into so palpably inequitable a contract.

## ANNUITY OR SUPERANNUATION ALLOWANCE IN OLD AGE.

Many once apparently flourishing Sick Societies have rapidly collapsed for want of funds, owing to the heavy demands when a considerable portion of the members have attained to sixty-five or seventy years of age. This is not surprising when we reflect that, according to the hypothesis of Dr. Price, on whose formula the earlier actuaries framed their expectation tables, the amount of annual average sickness anticipated at age seventy was less than three weeks and a half, while the actual experience of the Manchester Unity is nearly ten weeks, or about three times as much as the actuaries' tables provided for. After this period the results are very uncertain. At eighty Mr. Neison's data gave the rate nearly twenty-seven weeks, Mr. Ratcliffe's twenty, and Mr. Finlaison's fourteen. In fact, inability to follow employment in consequence of sickness or accident, gradually ceases to possess statistical value after a certain period of life. The inability mainly results from the natural decay of the body attendant upon old age. Consequently provision should be made for this period, in the form of a superanuation allowance to each member on arriving at age sixty-five or seventy, in lieu of sick pay. This liability has the advantage of being much more easily calculated than a sick allowance, and enables a society to dispense with further contributions from the members on arriving at the specified age. The aged members can, without danger or loss to the society, be permitted to do what little work they may be able to perform, and thus add to their com-

fort in the decline of life. This plan, I know from experience, is much in favour with the members generally; but a clause in the Act of Parliament prohibits the adoption of it, without the certificate of one of the prescribed LIFE Assurance Actuaries. This anomaly ought to be removed, as any ordinary clerk in an insurance office could safely certify to the rate of payment necessary to ensure a deferred annuity or superannuation allowance; whilst no actuary of intelligence can honestly recommend dependence on any scale for a sick allowance, after seventy to the end of life, on account of the uncertainty of attaining average results, even when the experience of very large numbers has been combined. The attainment of average results is essential to the success of insurance operations of every class. All insurance or the "theory of chances," as it is sometimes styled, is based on the principle that although individual experiences differ in a most remarkable degree, yet, when a sufficient number of these differences are aggregated and divided by their number, an average liability results, which repeating itself under similar conditions, attains to the dignity of a law, which may be relied upon as a guide in future operations. Therefore as an element of uncertainty, dangerous to the future stability of any friendly society, insurance for sickness in old age ought not to be attempted, but in its stead a superannuation allowance ought to be provided.

#### NUMBER OF MEMBERS.

Many societies have failed, while others, apparently in precisely similar circumstances, have saved large sums of money, merely because the number of members joining at the risk has

not been large enough to attain average results. In fact, small societies are but partial insurances, formed by an unnatural alliance between Providence and Speculation. I have shown that the actuaries cannot discover the rate of sickness, or the law which repeats itself, without the aid of extended data; consequently no friendly society of small numbers can be rationally expected in future to exhibit results which its own past experience has heretofore failed to do, simply because a law has been discovered to be operative when the joint risk is extended over a much larger number. This question I have treated exhaustively in my "Manual for Patrons and Members of Friendly Societies." It will be sufficient here, if I merely state that I there show from actual data, that single lodges in my own district, after ten years experience, exhibited results differing in the proportion of about fifty to a hundred. Yet by combining the experience of a dozen of the lodges, the operation of the law of average is distinctly perceived each separate year. The average sickness of the whole, per member, during the ten years, was eighty days; yet in the individual lodges it varied from thirty-one days five-tenths to ninety-seven and seven-tenths. The eighty days was sufficiently near the "expectation" or law, for all practical purposes, its expense per member, (£6. 2s. 9½d.) would have been provided for by a table formed from average rates, and a certain insurance effected. Individually or alone their "luck" varied much. One lodge had to pay but £3. 7s. 5½d. per member, and so the semi-lottery gave them a prize of £2. 5s. 3¼d. each, which was no doubt very gratifying. But in the other extreme case the sum of £7. 12s. 9d. per member was required to meet the ten years' sickness, while (supposing they had paid contributions according to a table calculated from

average results) £6. 2s. 9½d. alone would be available; and thus their practical insurance resulted in a deficiency of £1. 9s. 11½d. per member.

In five years nineteen different lodges, who share the risk in connection with the insurance at death, and by this means attain the expected average to a remarkably near degree, differed individually to a very great extent. The expense per member, in combination, was £1. 0s. 10d. If one lodge had stood alone, it would have had to pay £2. 10s. 10d., while another would have got off for 8s. 5¾d. per member. An examination of the tables I refer to will demonstrate that small numbers occasionally overrides in a most eccentric manner, the great law, previously insisted upon, that the rate of sickness and mortality varies according to age. In this enquiry I found that the smaller lodges always showed the extreme results, and that the larger approximated much more nearly to the average expectation. Instead of forming several petty societies in one neighbourhood, true providence or forethought would find one or two larger ones, simply because the statistical law demands a sufficient basis, or no complete insurance can be effected. No club should be content with less than one thousand members joining at the risk both for sickness and mortality, if they wish to be secured from the fluctuations which are incident to small lodges as well as to individual members, though, of course in a somewhat lesser degree.

But independently of the absolute necessity of numbers in a statistical sense to secure reliability, the small clubs consume a much larger percentage of the contributions in management expenses; and this, as a simple matter of financial economy, is

in itself a sufficient reason why the multiplication of small isolated individual societies ought to be discouraged.

Of course, all the rates of payment mentioned above, must, of necessity, be exempt from any tax or deduction for management expenses. It is a matter of perfect indifference to an actuary how the management expenses are raised, by a regular contribution or occasional levy, or both combined, provided the insurance objects are kept distinct. All other expenses of whatever character, must be paid from a separate fund, or the stability of a society could not be guaranteed for a single year. Many clubs have fallen into ruin, especially in the earlier portion of the present century, chiefly from inattention to this, apparently, self-evident proposition; and there are too many of a similar class still in existence.

## INVESTMENT OF FUNDS AND LEGAL PROTECTION.

Too much importance cannot be attached to the secure and profitable investment of the funds of a friendly society, for the amount of interest obtained is the most important element in its financial prosperity. It will be perceived that I place the word *secure* before the word *profitable*, simply because without security there can be no insurance. A good rate of interest is a most valuable item in friendly society finance, but the capital must not be jeopardized. No speculation can be tolerated in this matter. Higher rate of interest than can be obtained from legitimate investments is simply another name for bad security,

and this is the sole reason why the act of parliament prescribes the nature of the securities which alone shall be legal under its provisions.

The first necessary security is legal protection. Without this there can be no safety. When the laws of a society are once enrolled, they become part and parcel of the law of the land, and the institution, as a corporate body, has a recognised standing in a court of law. Besides, the government now so far appreciates the utility of these institutions in a national sense, that many valuable privileges are accorded them when once enrolled. Their investments are freed from income and property tax, and no stamps are required in their internal business transactions. In case of the bankruptcy of a treasurer duly appointed, the society, before his creditors receive any dividend from his estate, is paid in full all moneys belonging to it that he may hold at the time. This is a most substantial advantage, calculated in itself, in numerous cases, to save a society from utter ruin.

The only tangible objection to registration appears to be the result of a groundless fear that the government wishes to interfere with the internal management of these societies. I am confident that the very reverse is the true feeling of nine-tenths of our legislators. They are anxious that the working men should learn habits of self-reliance and self-restraint, and they know that this species of education is essentially of a practical character. Hence the general impression amongst students of social economy, that the true course to be taken in promoting the moral and social elevation of the operative classes is that

of teaching them how they can best regulate their own affairs. The pedagogue notion of drilling them into a species of docile inanities, unable to stand on their feet without the aid of government officials, in order to secure their social welfare, is chiefly confined to the few admirers of what is termed the "continental system." The idea of centralizing in the state executive, all authority in municipal, social, and domestic matters, is, however, so foreign to the instincts of the British people, that the provident operative may safely trust to it, for the preservation of his full right to manage his own friendly society in what appears to him to be the best manner. Persons in authority may sometimes *officially* meddle with matters that *officially* concern them not, but in a free country like England, when this becomes unendurable, the remedy is neither difficult nor distant.

In order to exhibit the importance of interest in the accumulation of reserved capital to meet the heavy claims of aged members of friendly societies, it will be sufficient to call attention to the following figures :—A single pound, paid yearly, and invested at two and a half per cent., compound interest, will realise, in fifty years, the sum of £84. 10s. But if it be invested at five per cent. it will realise, in the same period, £207. 6s. I am aware that, *with good security*, five per cent., compound interest, cannot be obtained for all the money paid into a friendly society. Actuaries, in forming their tables, only calculate upon three or three and a half as the average on the whole of the contributions; but this can only be attained by the regular and judicious investment of the funds as they accumulate, and a large proportion ought to be realising four and a half or five per cent., simple interest, to obtain this result. The accumulative power

of compound interest, as shown by the following figures, will no doubt startle those whose attention has not previously been drawn to the question :—A subscription of one pound per annum invested at two and a half per cent. for one hundred years, will realise £312. 4s., the interest being more than double the principal. If it be invested at three and a half per cent., in the same period it will accumulate to £862. 12s., the interest realising more than seven times the amount of the principal. If five per cent. be obtained the total accumulated fund, at the end of one hundred years, will amount to the enormous sum of £2610., the interest representing more than twenty-five times the capital invested !

#### ANNIVERSARY DINNERS, PROCESSIONS, &c.

Many societies expend large sums of money on insignia, or what they term “regalia,” in anniversaries, processions, and other demonstrations. With this, I, as a writer on friendly society finance, have no desire whatever to interfere, providing the necessary funds are not abstracted from the accumulated capital subscribed for the assurance of the sick, funeral, or other benefits. The value or otherwise of such displays I regard as a matter on which each separate society will and ought to exercise its own judgment. But the funds for insurance purposes must be free from any taxation for such purposes. Every society ought to provide, by a distinct and separate fund, for all such expenses, and for any other class of insurance or relief which does not accumulate with age, such as surgeons’ fees, assistance to travellers, gifts to distressed members, and the

public demonstrations to which I have referred. Every young man should carefully avoid joining a club where the separation of the funds is not strictly carried out. The institution of a separate subscription for the purposes referred to, is as essential as the recognition of the great laws of vital statistics to the future stability of a friendly society. It prevents the indiscriminate profusion engendered by the promiscuous system, and causes the attention of the members to be more earnestly directed to the subject of management. Direct taxation is ever felt to be a stronger stimulus than indirect, to the efficient supervision of the expenditure of public funds by public bodies. Accounts are examined with greater care, and economy is the prevailing cry; but, where all accounts are jumbled together, ill-directed benevolence and temporary liberality are often in the ascendent, and vote away in charitable gifts and testimonials, merited or unmerited, the money that should be accumulating to meet the heavy sickness and mortality attendant upon advanced age.

### PERIODICAL REVISION.

If all the conditions referred to have been scrupulously respected in the formation and management of a friendly society, still it is necessary that a periodical investigation into the state of the assets and liabilities should be made, in order that all irregularities or aberrations resulting from special peculiarities, may be adjusted before they acquire inordinate dimensions. This should be done once in about every five years. The great objection to this course formerly lay in the heavy fees demanded by professional actuaries for their services. Any intelligent

arithmetician, however, may, now, by consulting Mr. Ratcliffe's recently published work, make the valuation himself. The method of procedure is explained in a popular manner in the eleventh chapter of my "Manual for Patrons and Members of Friendly Societies." I am acquainted with several secretaries of lodges in connection with the Manchester Unity of Oddfellows, who, after consulting these works, have produced a perfectly satisfactory balance sheet, showing the assets and liabilities of their branches, in the most approved actuary form.

The disturbing elements referred to are neither few nor unimportant. Much depends upon locality. One place is healthier than another; consequently the value of life is greater and the rate of sickness less than the average. Some places are healthier at one time than another. Fever, epidemics, and other scourges of humanity, have their special times and conditions of active existence. Mr. Ratcliffe found that the actual amount of sickness experienced in several large towns presented striking irregularities. For instance, the average sickness experienced between twenty and sixty years of age, was nearly ninety-five weeks in the Sheffield district, whilst in London it was scarcely sixty-six, in Leeds sixty-three, in Bradford scarcely sixty, in Bolton sixty-five, and in Rochdale fifty seven.

Trade or occupation exercises considerable influence. Indeed, in some societies members of certain trades are charged a higher rate of subscription, in consequence of the well known extra risk they import into the club. For instance, the average sickness, in the Manchester Unity, between eighteen and sixty, according to the recent data, was about fifty-nine weeks; yet those

members who were miners experienced one hundred weeks, and stonemasons sixty-two and a-half, while clerks, &c., only claimed forty-one and a-half weeks, and butchers less than forty-five. The rate of sickness in other trades fluctuated between these extremes.

The rate of interest obtained by investment, as I have shown, materially affects the financial success of a friendly society, and this, of necessity, may be expected to vary considerably, according to time and locality. In fact there is no such thing as a settled permanent condition in any matters pertaining to worldly business, and friendly society insurance forms no exception to the rule. The members, therefore, like prudent business men should "take stock" periodically, in order that they may adjust any irregularity which their original forethought had failed to provide for. If, in the five years, the society has saved more money than is necessary to meet the prospective liability, it is in a position, like a regular insurance company, to declare a bonus, or, in other words, add, say, an extra shilling or sixpence per week to the sick pay. If the actual expenses have exceeded the expectation, then the sick pay may either be lessened for the next five years, or, what is preferable, a slightly increased rate of contribution, or a small levy on each member, will make up the deficiency.

When the whole of the conditions I have now explained are faithfully attended to, it will be seen that the prudent working man may look forward with confidence to the permanent stability of his favourite provident society; and, as perfect reliability is of the utmost importance to his own future well-being, it is his duty as well as his interest, to see that the club

which he joins has not practically ignored their existence. If he is already a member of one that has hitherto neglected or but imperfectly respected any one of these imperative laws, it is equally his interest and his duty, to induce his brother members to enter right earnestly upon the path of reformation and improvement.

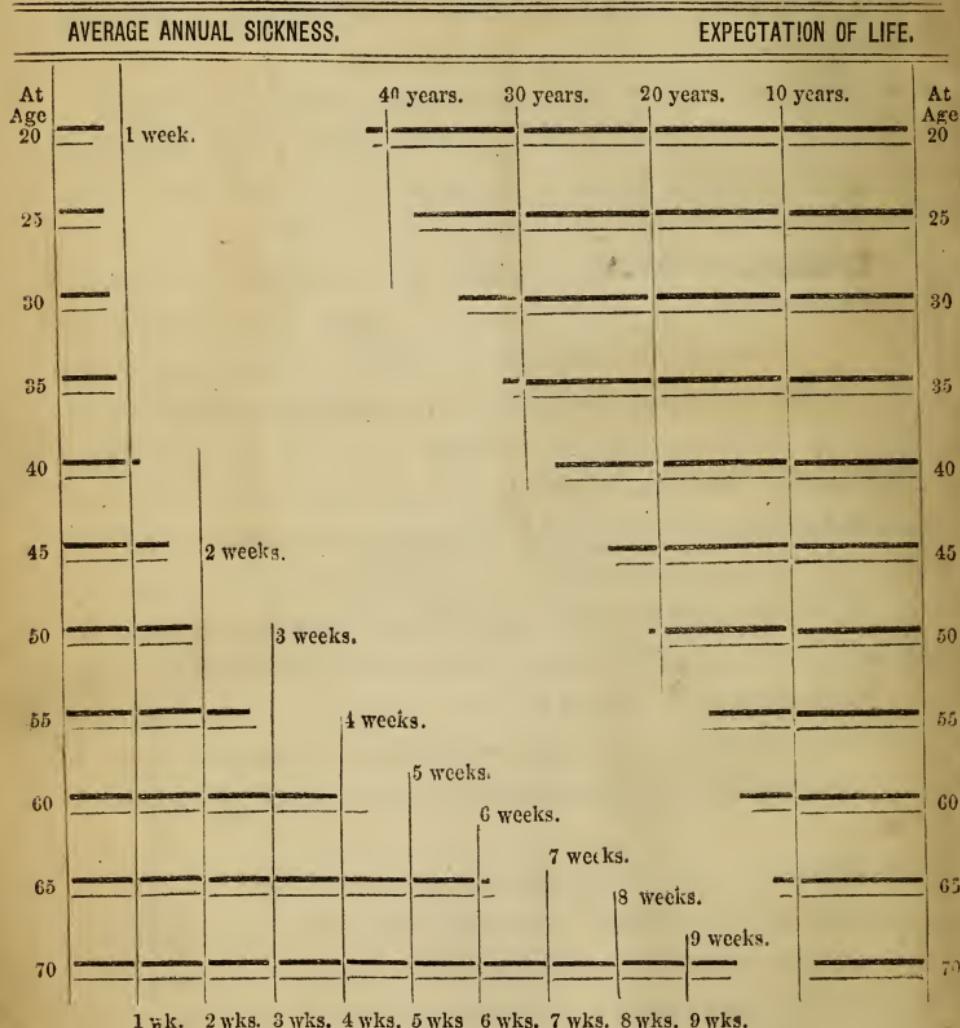


# DIAGRAM

Used by CHARLES HARDWICK, in his Lectures on Friendly Societies,  
shewing the

## AVERAGE ANNUAL SICKNESS AND THE DURATION OF LIFE, AT THE AGES STATED,

According to the Experience of the Independent Order of Oddfellows  
Manchester Unity Friendly Society.



The Upper and Darker Line represents the Amount of Sickness according to the experience of 1856-60, and the Lower and Thinner Line that of 1846-8. The Sickness at 75 (recent experience) was nearly 15 weeks; old experience, about 13½ weeks; at eighty, recent experience, lightly over 19 weeks; old experience, nearly twenty weeks.





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